

HIPAA INFORMATION SERIES

9. Final Steps For Compliance

HIPAA

A Challenge and Opportunity for the Health Care Industry

INFORMATION SERIES TOPICS

1. **HIPAA 101**
2. **Are you a covered entity?**
3. **Key HIPAA dates and tips for getting ready**
4. **What electronic transactions and code sets are standardized under HIPAA?**
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STANDARD TRANSACTIONS

This paper is the ninth in a series of informational papers developed by the Centers for Medicare & Medicaid Services (CMS) to communicate to the health care community key concepts and requirements contained in HIPAA -- the Health Insurance Portability and Accountability Act of 1996. This paper highlights the final steps for complying with the electronic transactions and code sets requirements.

Moving towards compliance

In the first eight papers, CMS outlines the steps providers must undergo to implement HIPAA's electronic transactions and code sets standards. At this stage of HIPAA implementation:

- ☐ You have determined if you are a covered provider.
- ☐ You should be compliant with HIPAA's privacy requirements.
- ☐ Your practice and your information systems are tested (or are in the process of being tested) and will be ready to conduct HIPAA compliant transactions effective October 16, 2003.
- ☐ You have identified your staff training needs and are implementing any necessary changes in operational policies and procedures.
- ☐ You are preparing to research other HIPAA provisions that may affect your practice.

Review the Transactions & Code Sets Modification Rule

This final rule published February 20, 2003 makes some important changes to the HIPAA electronic transactions and code sets standards that were published in August 2000. After the first regulatory cycle, the larger health care entities began the process of implementing the standards. It became clear that certain standards were not working and industry experts and HHS proposed changes. This regulation is the result of that collaborative

IMPORTANT DEADLINES

April 16, 2003
Begin Testing

October 16, 2003
Compliance with Electronic Transactions & Code Sets

PRIVACY DEADLINE April 14, 2003

For more information on Privacy: <http://www.hhs.gov/ocr/hipaa>
 Or call 1-866-627-7748

TIP: The National Drug Codes will remain the standard for the retail pharmacy drug claim, and there will be no standard code set adopted for non-retail pharmacy drug claims.



1. Claims or equivalent encounter information
2. Payment and remittance advice
3. Claim status inquiry and response
4. Eligibility inquiry and response
5. Referral certification and authorization inquiry and response
6. Enrollment and disenrollment in a health plan
7. Health plan premium payments
8. Coordination of benefits

CODE SETS

attachments

10. First report of injury

1. Physician services/ other health services- **both HCPCS and CPT-4**
2. Medical supplies, orthotics, and DME- **HCPCS**
3. Diagnosis codes- **ICD-9-CM, Vols 1&2**
4. Inpatient hospital procedures- **ICD-9-CM, Vol 3**
5. Dental services- **Code on dental procedures and nomenclature**
6. Drugs/biologics- **NDC for retail pharmacy**

The primary change involves covered entities that bill drugs and biologics. In the original law the National Drug Code (NDC) was the adopted standard for doctors and hospitals, as well as for the retail pharmacy sector. Industry groups and Government experts concluded that, at this time, the National Drug Codes would be too expensive for hospitals and doctors to implement and would not enhance their business processes. This regulation repeals the National Drug Code standard for those entities. The National Drug Codes will remain the standard for the retail pharmacy drug claim, and there will be no standard code set adopted for non-retail pharmacy drug claims. Based on this appeal, we would expect hospitals and doctors to continue to code and bill drugs and biologics using their current practices.

What are the addenda?

Changes to the initial electronic standards were adopted in the February 20, 2003 Modification Rule. The modifications were approved by industry groups and facilitate implementation of the adopted standards. These changes are detailed in documents called "addenda." The

addenda supplement the original implementation guides, which provide the technical details for each standard. The original implementation guides for HIPAA's electronic transactions and code sets are known as version 4010. The subsequent addenda are referred to as version 4010A. The addenda also adopt modified standards for two transactions that were not included in the proposed modifications rule – Premium Payments and Coordination of Benefits. For more information on the implementation guides and addenda for the transactions providers use most frequently, see paper 4 in this series, "Overview of electronic transactions and code sets."

TIP: The original implementation guides are known as version 4010. The addenda, which supplement the guides, are referred to as 4010A.

Stay tuned for the Medicare Electronic Billing Requirement final rule

Effective October 16, 2003, HIPAA law requires that all claims submitted to Medicare be submitted electronically in the HIPAA standard format (with the exception of those from certain small providers and under other limited circumstances.)

The rule detailing the new Medicare electronic billing requirement is currently being finalized. You will receive more information on this provision in upcoming Medicare provider bulletins. You may also sign up for the HIPAA regulation ListServe that will notify you when any HIPAA rules are published: <http://www.cms.hhs.gov/hipaa/hipaa2/regulations/lsnotify.asp>.

Free Information &
Tools Available at
the CMS Web Site

<http://www.cms.hhs.gov/hipaa/hipaa2>

- Covered entity decision tool
- Provider readiness checklist
- CMS Outreach ListServe
- HIPAA roundtable audio conference dates
- HHS HIPAA links
- Instructional CDs & videos
- HIPAA FAQs & compliance dates
- Complaint submission form

TIP

EDI can eliminate the inefficiencies of handling paper documents. It reduces administrative burden, lowers operating costs and improves overall data quality.

**HIPAA
Deadlines**

Unique identifiers requirements

HIPAA also requires the use of unique identifiers to clearly identify entities within the health care delivery system. The Provider Identifier Standard Final Rule and the Health Plan Identifier Proposed rule are in the process of being finalized. Once adopted, these identifiers will be used in HIPAA transactions.

TIP: The final National Employer Identifier Rule compliance date is July 30, 2004. The National Employer ID will use the Internal Revenue Service's Employer Identification Number (EIN) for this number.

Plan for the security requirements

The security standards work in concert with the final privacy standards adopted by HHS last year. The two sets of standards use many of the same terms and definitions in order to make it easier for covered entities to comply. The final security standards for HIPAA were published on February 20, 2003. Under this rule, health plans, payers, clearinghouses, and certain health care providers must establish procedures and mechanisms to protect the confidentiality, integrity and availability of electronic Protected Health Information (PHI.) Most covered entities will have two full years -- until April 21, 2005 -- to comply with the standards; small health plans will have an additional year to comply.

TIP: For a copy of the Security Rule and the Transaction and Code Sets Modifications Rule visit the CMS web site: <http://www.cms.hhs.gov/hipaa/hipaa2>

Review the final security standards

As the health care industry evolves and continuously relies upon the use of technology, the security standards will play an important role in protecting electronic data at rest and in transit. The standards were developed to promote the protection of electronic protected health information by:

- ✓ Providing for electronic data integrity and confidentiality,
- ✓ Allowing only authorized individuals access, and
- ✓ Ensuring its availability.

The security standards are scalable and technology neutral. This means that covered entities should take into account their size, complexity, capabilities and potential risks to their electronic Protected Health Information when complying with the standards. The standards do not specify any particular technology. In other words, they outline what must be done -- not how to do it. The security standards require covered entities to implement safeguards within three categories:

April 14, 2003

***Privacy
Deadline***

(April 14, 2004 for
small health plans)

April 16, 2003

Testing

You should start testing
your software no later
than April 16, 2003.

October 16, 2003

***Electronic Transactions
& Code Sets Deadline***

NOTE: Medicare will
require that all Medicare
claims be submitted
electronically, with the
exception of those from
small providers and
under certain limited
circumstances.

July 30, 2004

***National Employer
Identifier***

(August 1, 2005
for small health plans)

April 21, 2005

***Security
Deadline***

(April 21, 2006 for small
health plans)

- ☐ **Administrative safeguards** - management of the selection and execution of security measures.
- ☐ **Physical safeguards** - protections for electronic systems and related buildings and equipment from environmental hazards and unauthorized intrusion.
- ☐ **Technical safeguards** - automated processes to protect data and control access to it.

Focus on operational improvements

For providers to yield the most benefit from HIPAA, they should shift their focus to the opportunities for operational improvements and long-term business strategies. HIPAA's administrative simplification requirements can be the catalyst for many of the following improvements to your operations:

- Get faster, easier, more accurate eligibility information
- Reduce claim denials due to ineligibility
- Improve the process for obtaining prior authorization and referrals
- Reduce claim denials because of authorization or referral issues
- Make claim submission faster, more efficient and with less errors
- Eliminate the use of local codes
- Use the same set of codes with all health plans
- Get electronic remittance advices from health plans
- "Auto-post" payments to your system – quickly and accurately
- Electronically request claim status information
- Reduce the costs of your claims processing and free up valuable staff resources, while protecting the security and privacy of health care information.

Log onto the CMS HIPAA web site and sign up for our ListServe:
<http://www.cms.hhs.gov/hipaa/hipaa2>

E-mail your questions to askhipaa@cms.hhs.gov

Call the CMS HIPAA HOTLINE 1-866-282-0659